

Message Text

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LIMITED OFFICIAL USE SECTION 1 OF 2 MOSCOW 11118

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TAGS: EAIR UR US
SUBJECT: US-USSR BILATERAL CIVIL AVIATION RELATIONS

REFS: (A) MOSCOW 9368, (B) MOSCOW 8039

SUMMARY: CURRENTLY AT A LOW POINT, US-SOVIET CIVIL AVIATION RELATIONS COULD FURTHER DETERIORATE IF THE SOVIETS RESTRICT US CHARTER FLIGHTS. THE IMPASSE IS LARGELY OF A FINANCIAL NATURE AND RELATIVELY INDEPENDENT FROM POLITICAL AND EVEN TRADE RELATIONS. OUR WILLINGNESS TO REDUCE SOVIET FREQUENCIES AND OUR WARNING OF POSSIBLE FURTHER REDUCTIONS HAVE STRENGTHENED THE US BARGAINING POSITIONS. NEVERTHELESS THE ONLY FEASIBLE SOLUTION WHICH THE SOVIETS MIGHT ACCEPT AND WHICH WOULD SERVE OUR INTEREST IN EQUITY, WOULD BE ONE THAT PROFFERS EXPANDING AND ROUGHLY EQUAL FINANCIAL BENEFITS FOR EACH PARTY. OUR RESPONSE TO THE SOVIET NOTE SHOULD REAFFIRM OUR BASIC POSITIONS AND INTERPRETATIONS. WE SHOULD STATE OUR WILLINGNESS TO RESUME DISCUSSIONS SHORTLY IN ACCORDANCE WITH THE SOVIET SUGGESTION TO DO SO, BUT NOT SOLELY ON THE BASIS OF THE SOVIET PROPOSALS. RATHER, WE SHOULD STATE OUR EXPECTATION THAT ALL SERIOUS PROPOSALS, INCLUDING REVENUE POOLING, WILL BE EXAMINED. END SUMMARY.

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1. US-SOVIET CIVIL AVIATION RELATIONS ARE CURRENTLY AT A LOW POINT, WITH SOME DANGER THAT STILL FURTHER DETERIORATION COULD COME ABOUT IF SOVIETS RESTRICT US CHARTER FLIGHTS. WHILE NOT UNRELATED TO THE GENERAL ATMOSPHERE OF US-SOVIET RELATIONS, THE IMPASSE IS LARGELY OF A FINANCIAL NATURE AND RELATIVELY INDEPENDENT FROM POLITICAL AND EVEN TRADE RELATIONS. IN THEORY, AT LEAST,

THERE EXISTS A MUTUAL INTEREST ON THE PART OF BOTH SIDES TO INCREASE THE VOLUME AND SCOPE OF CIVIL AVIATION CONNECTIONS, A RESULT WHICH COULD CONTRIBUTE MODESTLY OVER TIME TO AN IMPROVEMENT IN OVERALL RELATIONS. IN PRACTICE THE SOVIET POLICY OF MAXIMIZING HARD CURRENCY EARNINGS IN TRANSPORTATION AND INVISIBLES PRESENTS A FORMIDABLE OBSTACLE TO ANY EFFORT BY AMERICAN AVIATION TO DERIVE EQUAL BENEFITS FROM INCREASED AIR TRAVEL BETWEEN THE TWO COUNTRIES. THE TWO NEGOTIATING ROUNDS THUS FAR IN 1977, GROWING SOVIET RESTRICTIONS ON CHARTER FLIGHTS AND THE TOUGH WORDING OF THE MOST RECENT SOVIET NOTE OFFER LITTLE PROSPECT OF REVERSING THE DANGEROUSLY NEGATIVE MOMENTUM OF RECENT MONTHS. IT CAN BE CONFIDENTLY SAID THAT OUR WILLINGNESS TO REDUCE SOVIET FREQUENCIES TO TWO THIS SUMMER, TOGETHER WITH THE WARNING THAT A FURTHER REDUCTION WAS POSSIBLE UNDER CERTAIN CIRCUMSTANCES, HAS STRENGTHENED THE US BARGAINING POSITION. THE PRESSURE IS CONSIDERABLY GREATER ON THE SOVIET SIDE. NEVERTHELESS, EXPERIENCE IN THIS AREA AS WELL AS OTHERS SUGGESTS THAT THEY WILL NOT MAKE AN OFFER FREE OF "LOOPHOLES" AS LONG AS NEGOTIATIONS FOLLOW CLASSIC LINES. THE ONLY FEASIBLE SOLUTION WHICH MIGHT BE ACCEPTABLE TO THE SOVIET SIDE, WHILE DOING JUSTICE TO OUR INTEREST IN EQUITY, WOULD BE ONE THAT PROFFERED EXPANDING (AND ROUGHLY EQUAL) FINANCIAL BENEFITS FOR EACH PARTY.

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WM THE LATEST, JUNE 4, SOVIET NOTE ON CIVIL AVIATION ISSUES (REF B) WAS A BLUNTLY WORDED DOCUMENT ASKING THAT WE NEGOTIATE ON THE SAME SOVIET TERMS WE REJECTED IN MARCH. THERE MAY BE SOME SOVIET AWARENESS THAT THE US POSITION HAS BECOME STRONGER AS A RESULT OF THE CUTBACK IN REGULAR FLIGHTS TO TWO PER WEEK AND A GROWING, IF RELUCTANT, UNDERSTANDING THAT THE US IS PREPARED TO LIVE WITH THIS SITUATION, PROVIDED CHARTERS ARE GUARANTEED, UNTIL A NEW AGREEMENT IS REACHED. OUR CONTACTS WITH MINISTRY OF CIVIL AVIATION OFFICIALS INDICATE THEIR DISCOMFURE OVER THIS SITUATION AND SOME CONCERN THAT THE US HAS NOT YET RESPONDED TO THE SOVIET OFFER (CONTAINED IN THE JUNE 4 NOTE) TO RESUME TALK. OUR RESPONSE TO THE JUNE 4 NOTE COULD PERSUADE THEM TO MODIFY THEIR OWN APPROACH, IF WE REMAIN FIRM ON BASIC PRINCIPLES BUT ARE FLEXIBLE AS TO FORM IN WHICH THEY WILL BE ADVANCED. LIMITING OURSELVES TO DISCUSSING ONLY THOSE PROPOSALS TABLED LAST MARCH IN MOSCOW, COULD PROVE FRUITLESS.

3. WE SUGGEST THAT OUR RESPONSE TO THE JUNE 4 SOVIET NOTE, REFTEL B, SHOULD REAFFIRM OUR BASIC POSITIONS AND OUR WILLINGNESS TO RESUME DISCUSSIONS. AT THE OUTSET WE SHOULD REITERATE OUR INTERPRETATION OF "STATUS QUO" IN SCHEDULED SERVICES,

ON THE TRADE OFF OF AEROFLOT'S RIGHT TO SERVE WASHINGTON FOR
CONTINUED APPROVAL OF US CHARTERS, AND OUR SUPPORT OF THE
GOALS OF THE 1973 PROTOCOL. THE FOLLOWING POINTS MIGHT
THEN BE CONSIDERED FOR INCLUSION:

A. NATURE OF NEW AGREEMENT

WE PRESENTLY ARE AT LOGGERHEADS, WITH THE SOVIETS
REJECTING OUR PROPOSED UPLIFT RATIO FORMULA LAST MARCH AND
THE US REJECTING SOVIET COUNTER-PROPOSALS AS BEING INADEQUATE
AND FULL OF LOOPHOLES. ONE WAY OUT OF THE DEADLOCK COULD
BE TO SEEK NEW FORMS WHICH WOULD ENSURE EXPANDED AND EQUITABLE
REVENUES FOR BOTH SIDES.

IN OUR VIEW A REVENUE POOLING ARRANGEMENT IS NOW PROBABLY
THE ONLY WORKABLE SOLUTION EVEN THOUGH THE NEGOTIATIONS WOULD
BE DIFFICULT. THE BASIC POINT TO REMEMBER IS THAT ALTHOUGH
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POOLING WILL NOT SOLVE ALL PROBLEMS, A FAIRLY TIGHT 50/50
REVENUE POOL SUCH AS WE PROPOSED IN JUNE 1976 WOULD SOLVE
MANY OF THEM. MOREOVER, GIVEN THE TOTAL SOVIET CONTROL
OF THEIR OWN MARKET AND THEIR PROPENSITY FOR SHARP DEALING,
POOLING PROBABLY OFFERS THE ONLY MECHANISM WHICH WILL ENSURE
A US AIRLINE AN EVEN BREAK. OUR PAST NEGOTIATING TACTICS ON POOLING MAY,
HOWEVER,
HAVE CONFUSED THE SOVIETS. THE US PROPOSED POOLING IN
SPRING 1976 TALKS, BUT THEREAFTER WE PUT THE BURDEN ON THE
SOVIETS TO RAISE THE MATTER. IN THE LATEST TALKS, FOR
EXAMPLE, DISCUSSION OF POOLING WAS LIMITED BY THE STRICTURE
THAT THE USG SHOULD ONLY DISCUSS POOLING IF IT WERE RAISED
BY THE SOVIETS. IT NOW LOOKS TO US AS THOUGH A US INITIATIVE
TO GET REVENUE POOLING BACK ONTO THE TABLE MAY BE NEEDED.

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DOT-00 EB-08 INR-07 NSAE-00 FAA-00 L-03 H-01

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B. CHARTERS AND WASHINGTON SERVICE

THE SOVIETS HAVE LINKED PAN AM CHARTERS WITH THE OVERALL VOLUME OF FLIGHTS BY PAN AM AND AEROFLOT AND REJECTED CHARTERS BY OTHER US AIRLINES. WE SEE NO REASON TO ACCEPT FORMALLY THIS APPARENT PLOY TO WIN EXTRA SECTIONS FOR AEROFLOT EVEN THOUGH PAN AM APPROVED FIVE SUCH REQUESTS THIS SPRING. THEREFORE, WE SHOULD REPEAT OUR WARNING ABOUT A POSSIBLE REDUCTION IN THE STATUS QUO LEVEL OF REGULAR FLIGHTS IF CHARTERS ARE DISALLOWED. (THIS SHOULD BE ESPECIALLY EFFECTIVE SINCE SOVIETS ALREADY KNOW OF PAN AM PLANS FOR ONLY ONE FREQUENCY IN WINTER 1977-78). WE SHOULD ALSO WARN THAT PARTIAL REJECTIONS OF US CHARTERS, WHETHER PAN AM OR OTHER, COULD RESULT IN OUR DENYING A CERTAIN NUMBER OF AEROFLOT CHARTERS. THE PRECEDENT HERE IS THE WORLD AIRWAYS CASE IN LATE 1975.

WE COULD ALSO INDICATE INFORMALLY THAT WE ARE NOT CATEGORICALLY OPPOSED TO OCCASIONAL EXTRA SECTIONS FOR AEROFLOT BUT SHOULD TIE THIS TO SPECIAL CIRCUMSTANCES SUCH AS LARGE SOVIET DELEGATIONS TRAVELING TO THE US. OTHERWISE, WE RUN THE RISK OF ENDORSING THE SOVIET POSITION WHICH SEEKS TO LUMP CHARTERS AND REGULAR FLIGHTS IN ONE BASKET. (MFA ON JUNE 23 REJECTED AN OVERFLIGHT REQUEST OF AMBASSADAIR INC. AIR TRAVEL CLUB OF INDIANAPOLIS, INDIANA TO FLY A GROUP OF US TOURISTS TO MOSCOW AND LENINGRAD IN A CHARTERED AIRCRAFT IN AUGUST.)

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C. RELATION OF CHARTERS AND REGULAR SERVICES

RECENTLY THE SOVIETS HAVE ARGUED THAT PAN AM IS NOW CARRYING MORE PASSENGERS, INCLUDING CHARTERS, THAN AEROFLOT. THEIR JUNE 4 NOTE IN FACT LINKED RESOLUTION OF THE "IMBALANCES" PROBLEM WITH INCLUSION OF CHARTERS. WE SHOULD REITERATE OUR OPPOSITION TO THIS LINKAGE AND OUR REASONS FOR IT, EMPHASIZING THAT THE TWO MARKETS ARE QUITE DIFFERENT AND THAT THE CHARTER MARKET IS NEARLY 100 PERCENT US ORIGIN. HERE WE ARE SOMEWHAT CONCERNED THAT REPORTS ON THE NEW US/UK CIVIL AIR AGREEMENT WHICH MENTIONED A RELATIONSHIP BETWEEN CHARTERS AND REGULAR SERVICES MIGHT GIVE THE SOVIETS ADDED REASON TO DIG IN THEIR HEELS ON THIS MATTER. IF OUR POSITION OF TREATING CHARTERS AND REGULAR SERVICES SEPARATELY IS UNCHANGED, AS WE ASSUME, IT MUST BE CLEARLY STATED.

D. GAUGE

WE SHOULD ALSO REFUTE THE SOVIET ARGUMENT THAT A SECOND LANDING POINT (WASHINGTON) WAS UNRELATED TO CHARTER

AGREEMENT AND THE SOVIET ATTEMPT TO LINK CHANGE OF GAUGE
TO CHANGE OF FREQUENCIES.

E. NEW TALKS

WE SHOULD INDICATE IN THE NOTE OUR READINESS TO RESUME
TALKS SHORTLY IN ACCORDANCE WITH THE SOVIET SUGGESTION.
HOWEVER, RATHER THAN ACCEPT THE SOVIET PROPOSALS AS THE
SOLE BASIS, WE SHOULD STATE OUR EXPECTATION THAT ALL
SERIOUS PROPOSALS, INCLUDING REVENUE POOLING, WILL BE
EXAMINED.

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